

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-09 ISO-00 NEA-10 IO-10 SP-02 AID-05 EB-07

NSC-05 CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR BUSHNELL

E.O. 11652: N/A

TAGS: EAID, EFIN

SUBJ: ADF REPLENISHMENT: POSSIBILITIES FOR EARLY INFLOW OF
RESOURCES

FOLLOWING IS VERBATIM TEXT OF STATEMENT FROM ADB PRESIDENT
ON ABOVE SUBJECT RECEIVED DECEMBER 19, 1975, WHICH RESPECTIVE
DIRECTORS HAVE BEEN REQUESTED TO COMMUNICATE TO ADF DONOR
GOVERNMENTS:

QUOTE.

1. RECENTLY A PAPER WAS ISSUED TO THE BOARD REFERRING TO THE
EFFECTS OF EXCHANGE RATE CHANGES IN REDUCING THE BALANCE
OF OUR SPECIAL FUNDS RESOURCES AVAILABLE FOR FURTHER LOAN
COMMITMENTS IN 1975. THE VERY TIGHT RESOURCE POSITION HAS
LED TO POSTPONEMENT OF CERTAIN PROJECTS INTO THE NEXT YEAR.

2. DURING THE EARLY MONTHS OF 1976, WE CAN EXPECT ONLY A
LIMITED AMOUNT OF FURTHER MONEY FROM THE INITIAL RESOURCE
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MOBILIZATION, IN THE FORM OF A CONTRIBUTION OF A FURTHER

\$50 MILLION FROM THE UNITED STATES, AND A CONTRIBUTION OF ABOUT \$16 MILLION FROM ITALY. BOTH THESE CONTRIBUTIONS DEPEND UPON LEGISLATIVE DECISIONS WHICH WILL NOT BE TAKEN UNTIL THE EARLY MONTHS OF 1976. APART FROM THIS FURTHER MONEY, ALL OUR PLANS FOR CONTINUING WITH OUR CONCESSIONAL LENDING PROGRAM FOR 1976 MUST DEPEND UPON FURTHER RESOURCES BECOMING AVAILABLE FROM THE ADF REPLENISHMENT.

3. IN THESE CIRCUMSTANCES, THE TIMING OF THE INITIAL INFLOW OF RESOURCES UNDER THE REPLISHMENT IS A MATTER OF PARTICULAR IMPORTANCE. UNDER THE ARRANGMENTS RECENTLY APPROVED BY THE BOARD OF GOVERNORS CONTRIBUTION COMMITMENTS WILL NOT BECOME EFFECTIVE UNTIL AT LEAST \$475 MILLION IN COMMITMENTS HAVE BEEN MADE TO THE BANK. THE DATE SPECIFIED FOR THIS EVENT IS 30TH JUNE 1976. BUT THE BOARD OF DIRECTORS IS EMPOWERED, IF NECESSARY, TO EXTEND THIS DEADLINE. FURTHER, WE CANNOT DISCOUNT THE POSSIBILITY THAT IN APRIL 1976 SOME DONOR OR DONORS MAY ASK FOR REVISION OF PROPOSED CONTRIBUTION ALLOCATIONS. IF THIS HAPPENS, THERE MAY BE DELAY IN THE COMING INTO EFFECT OF THE SCHEME.

4. WE MUST ALL HOPE THAT DONOR GOVERNMENTS WILL MAKE EVERY EFFORT TO DEPOSIT THEIR INSTRUMENTS OF CONTRIBUTION AS EARLY AS POSSIBLE IN 1976 AND THAT THERE WILL BE NO OTHER COMPLICATION. THIS HOPE HAS ALREADY BEEN EXPRESSED BY THE BOARD OF DIRECTORS IN ITS REPORT TO THE BOARD OF GOVERNORS ACCOMPANYING THE REPLENISHMENT RESOLUTION. I WOULD LIKE TO GO FURTHER, AND TO ADDRESS A SPECIFIC APPEAL TO EACH DONOR GOVERNMENT TO DO EVERYTHING IT CAN TO DEPOSIT AN INSTRUMENT IN THE EARLY MONTHS OF 1976, WITHOUT WAITING FOR THE DATE OF 30TH JUNE. I WOULD REQUEST DIRECTORS REPRESENTING DONOR GOVERNMENTS, AFTER CONSULATATION WITH THEIR GOVERNMENTS, TO GIVE ME THEIR BEST ESTIMATE OF THE DATE BY WHICH WE MAY EXPECT INDIVIDUAL CONTRIBUTION COMMITMENTS TO BE DEPOSITED, ASSUMING THAT ALL NECESSARY LEGISLATIVE AND OTHER PROCEDURES CAN PROCEED SMOOTHLY.

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5. WHILE HOPING FOR THE BEST, WE MUST ALSO THINK OF THE POSITION IF THE BEST DOES NOT COME ABOUT. I WOULD THEREFORE URGE EACH DONOR GOVERNMENT WHICH CAN IN FACT TAKE ACTION EARLY IN 1976 TO CONSIDER RELEASING SOME PORTION OF ITS CONTRIBUTION TO THE BANK, EVEN BEFORE THE TRIGGER FIGURE IS MET. THIS WOULD HELP AVOID OR MAINIMIZE INTERRUPTIONS AND DELAYS IN OUR CONCESSIONAL LENDING PROGRAM IN THE FIRST HALF OF 1976. I WOULD

FURTHER REQUEST THAT ANY BUDGETARY ACTION BE ON A BASIS WHICH WILL ALLOW ADVANCE RELEASES IN AMOUNTS SUFFICIENT TO COVER OUR 1976 LENDING PROGRAM OF \$250 MILLION EVEN IF, FOR ANY REASON, THE DATE OF EFFECTIVENESS HAS TO BE POSTPONED.

6. I AM NOT ASKING FOR FIRM ASSURANCES AT THIS TIME, BUT I HOPE THAT DONOR GOVERNMENTS WILL GIVE SERIOUS THOUGHT TO THE POSSIBILITIES I HAVE MENTIONED. I HOPE ALSO THAT THEY WILL TRY, IN THE COURSE OF LEGISLATIVE PROCESSING OF THEIR CONTRIBUTIONS, TO RETAIN THE FREEDOM AND FLEXIBILITY TO BE ABLE TO CONSIDER ACTION ON ONE OR BOTH OF THESE POSSIBILITIES ON ITS MERITS, IN THE CIRCUMSTANCES PREVAILAING EARLY NEXT YEAR.

7. IT IS POSSIBLE THAT I, ALONG WITH THE PRESIDENTS OF THE OTHER REGIONAL BANKS, MAY BE ASKED TO MAKE A STATEMENT AT THE FORTHCOMING MEETING OF THE DEVELOPMENT COMMITTEE IN JAMAICA NEXT MONTH. I SHALL, IF THIS OPPORTUNITY ARISES, MAKE A SUITABLE APPEAL FOR SUPPORT FOR THE BANK'S EFFORTS TO MOBILIZE BOTH SPECIAL FUNDS AND CAPITAL RESOURCES, TO ENABLE IT TO FULFILL AN APPROPRIATE ROLE IN THE SOCIO-ECONOMIC PROGRESS OF ITS DEVELOPING MEMBER COUNTRIES.

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